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**AGCO** Annual Report 2005-2006

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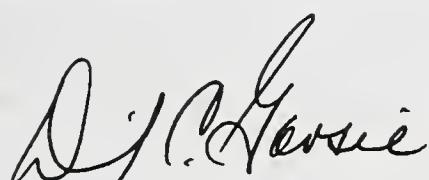


MEMORANDUM

TO: The Honourable Gerry Phillips  
Minister  
Ministry of Government Services

FROM: David C. Gavsie  
Chair  
Alcohol and Gaming Commission of Ontario

I am pleased to present the 2005–2006 Alcohol and Gaming Commission of Ontario Annual Report.



David C. Gavsie  
Chair



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DAVID C. GAVSIE

## MESSAGE FROM THE CHAIR

**D**uring this fiscal year, many significant changes have taken place at the Alcohol and Gaming Commission of Ontario.

On November 1, 2005, I was appointed as the new Chair of the AGCO completing a transition which began earlier in the year with Ms. Kirsti Hunt from Sudbury, Ontario who was the Interim Chair. Ms. Hunt, now a Vice-Chair, carried out her interim responsibilities with business acumen and great effectiveness. We thank her for her outstanding contribution during this period. I look forward to her continuing assistance with the work of the AGCO.

One of our key achievements during the fiscal year was to revise the Hearing Process and to introduce New Rules of Practice for hearings held before the Board. We hold about six hundred (600) hearings a year, and the demand for more is growing. This new process involved improving administrative steps to have hearings scheduled more quickly, to provide parties with disclosure, to narrow issues between the Board and parties to a hearing, and to encourage early settlements if the parties can come to an agreement.

### **Hearing Process**

Since we introduced these more effective measures, the average turnaround time from a request for a hearing to the hearing date has been reduced

from an average of nine months to less than seven months. This is a substantial improvement and has met approval from those involved in the adjudicative and disciplinary procedures of the Board; as have our new procedures for canvassing parties to set a date for a Hearing. In the coming year, we will continue to improve the hearing process not only to ensure that it is fair and responsive, but to shorten the turnaround time even more.

We have also moved towards single member panels, where practicable. This will enable more appeals to be heard. Hearing panels will now consist of one Board member where there is a single issue or occurrence in a Notice of Proposal (NOP) or a supplementary NOP and the penalty proposed is a liquor licence suspension of twenty-eight days or less. For proposed longer suspensions, revocations, issues dealing with applications for liquor licence transfers, or in gaming matters, a hearing panel will still have to consist of two members.

### **Charitable Gaming**

Over the past decade, charitable gaming (bingo lotteries, break open tickets) has experienced significant declines in revenues and participation. This is the result of the introduction of new products into a highly competitive entertainment industry environment. In cooperation with our



partners in this sector, the charitable organizations, suppliers and municipalities, the AGCO undertook a consultation project, “Modernization of Charitable Gaming”. This is an effort to examine the framework and rules relating to charitable gaming and to see if there could be changes that would allow charitable gaming to be more competitive in a changing marketplace. More on this major initiative can be found in this Annual Report under the heading, “Operational Efficiencies and Highlights”.

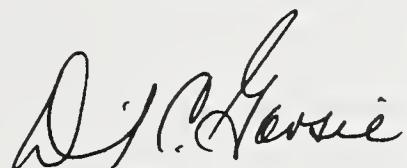
#### **Liquor Licence Act Reform**

Earlier this year, the Minister of Government Services, to whom our Commission reports, launched a wide ranging review of Ontario’s liquor regulatory regime. The purpose of this consultation was to invite input from the public and stakeholders in order to develop specific amendments to the *Liquor Licence Act (LLA)* and Regulations to improve public safety, service delivery and consumer choice. Since the enforcement of liquor legislation falls under our jurisdiction, any changes in this area will have an effect on our operations.

#### **Relocation**

Planning began to relocate our offices from downtown Toronto to a new address at 90 Sheppard Avenue East, Toronto, Ontario M2N 0A4. This move was scheduled to be completed in early May 2006.

As I reflect back on my first months as the Chair of the AGCO, I want to express my sincere thanks to each of the Board members, the staff in the Hearings Branch, our Chief Executive Officer, Jean Major and all of the employees of the AGCO who work so diligently and tirelessly to make certain that the administration of Ontario’s gaming and liquor laws are carried out in a fair, efficient and effective manner. I also want to thank our various stakeholders, (licensees, manufacturers, charities, municipalities and gaming operators), who provide good advice and support us in helping make Ontario a model in North America for responsible beverage alcohol sales and consumption, safe gaming practices and facilities that operate with integrity.



David C. Gavvie  
Chair





JEAN MAJOR

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The Alcohol and Gaming Commission of Ontario (AGCO) launched a number of major projects this year which focused on addressing proposals from diverse stakeholder groups looking for change across broad areas of policy, legislation and regulation.

Much attention and many resources were dedicated to reviewing charitable gaming, consulting on reforming the *Liquor Licence Act*, and reviewing Internal Operations, including a response to a “value for money” audit conducted by the Auditor General of Ontario.

Because the AGCO strives to be a leader in effective regulation and enforcement of gaming and liquor laws, we continue to ensure that our strategies and operations meet the highest standards of customer service and our clients’ expectations. This is especially important as our stakeholder industries continue to evolve with the introduction of new technologies that dramatically change the business landscape.

### Operations Review

In order to keep up with the changing times, the AGCO issued a Request for Services (RFS) proposal to hire consultants to conduct an organization review of the Commission. This was necessary to determine the best organizational

design for the AGCO; one that would assure that the Commission would be able to successfully deliver on its key priorities and core business functions. We also needed to assess our current strengths and weaknesses to position our operations in a manner that would allow us to meet new challenges. The consultants were also instructed to audit internal communications needs and recommend enhanced performance measures for the Commission. The Organization Review began in the fall of 2005 and will be completed in May of this year. We are looking forward to the results and recommendations in order to ensure the AGCO is positioned to address key issues and operational challenges in a sustainable way.

### Auditor General’s Report

In April 2006, the Commission will be appearing before the Ontario Legislature’s Standing Committee on Public Accounts in response to a “value for money” audit carried out by the Auditor General earlier in the fiscal year. The focus of the audit was on charitable gaming. The main areas dealt with were municipal licensing activities, charitable gaming inspections and enforcement, and measuring program effectiveness. We continue to work on implementing many of the Auditor General’s recommendations. We anticipate receiving final recommendations from the Public Accounts Committee in the fall of 2006.



### **Charitable Gaming**

Over the past decade, charitable gaming has experienced significant declines in revenues and participation. In part, the decline is the result of an overall gaming environment in Ontario which has

a broad review of the *Liquor Licence Act*. In order to assist with this review, AGCO staff were actively involved in industry consultations and participated in internal committees to develop and provide recommendations for reform. Because this indus-

become considerably more complex and competitive in recent years. Recognizing this threat to an essential source of funding for a large number of worthy organizations that contribute to the good of communities across Ontario, the AGCO, with the support of our stakeholders, launched a major initiative to improve the competitiveness of the charitable gaming sector.

The “Modernization of Charitable Gaming” consultation process, which originally began in 2004, received positive feedback from interested stakeholders. In December 2005, we responded with a Direction and Priorities paper summarizing the results of the consultations. Among the early initiatives was approval for an Interim Revenue Model providing for adjustments on how some expenses are paid in the operation of bingo pooling halls. A more comprehensive package of legislative, regulatory and administrative reforms is scheduled to be introduced in stages over the next twelve months.

### **Liquor Licence Act Review**

At the same time that charitable gaming has been undergoing a major review, the AGCO has also been involved in developing proposals to significantly reform the *Liquor Licence Act*. In the fall of 2005, the Ministry of Government Services announced that it would be moving forward with

try is such a substantial contributor to the provincial economy both in terms of employment and government revenues, special attention is required to ensure that health and social factors are considered in any such review. It has been more than a decade since significant reform to the liquor regulatory regime has occurred. AGCO staff are contributing to this process through their specialized knowledge and expertise.

In the year ahead, our main objectives will be the orderly and timely implementation of the various initiatives we have underway. Among our key commitments and strategies are building more effective communications, strengthening business processes and information technology management capabilities, and to modernize the alcohol and gaming environment.

Once again, I look forward to working closely with the Board of the AGCO and our new Chair, David C. Gavvie. I want to thank all of our management team and staff who have been very supportive and who have worked diligently during a year which saw many significant changes.



Jean Major  
Chief Executive Officer



The Alcohol and Gaming Commission of Ontario (AGCO) is a regulatory agency with a governing board established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*. The AGCO also has an adjudicative role, where the Board of Directors of the AGCO hears appeals and conducts disciplinary hearings under applicable legislation, including public interest hearings.

## OVERVIEW AND KEY ACTIVITIES

### *Our Vision*

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

### *Our Mandate*

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

### *Our Mission*

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures.
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries.
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement.
- Be client focused in the way we respond and manage client and stakeholder needs.
- Educate clients and stakeholders and develop partnerships.



### **KEY ACTIVITIES:**

The AGCO is responsible for the administration of the following:

- *Liquor Licence Act;*
- *Wine Content and Labelling Act, 2000;*
- *Liquor Control Act [Section 3(1)b, e, f, g and 3(2)a];*
- *Gaming Control Act, 1992;* and
- Lottery Licensing Order-in-Council, 2688/93 (as amended).

The administration of these Acts and the Order-in-Council involves the following core activities:

#### **Regulating Ontario's Alcohol and Gaming Sectors**

- Licensing and regulating Ontario's establishments that sell or serve liquor, liquor delivery services, liquor manufacturers, their agents and agents of foreign manufacturers, and brew-on-premise facilities, as well as administering the Special Occasion Permit program, delivered through designated Liquor Control Board of Ontario retail stores.

- Authorizing manufacturers' retail stores, which include on-site and off-site winery retail stores, on-site distillery retail stores and brewery retail stores, and Brewers Retail Inc. stores ("The Beer Store").
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, charity casinos, and slot operations at racetracks.
- Administering the regulatory framework governing the issuance of charity lottery licences (e.g., bingo, raffle, and break open ticket events).
- Licensing games of chance at fairs and exhibitions.
- Approving rules of play or changes to rules of play for games of chance conducted and managed by the Ontario Lottery and Gaming Corporation.
- Excluding persons from accessing gaming premises in the province of Ontario pursuant to the *Gaming Control Act, 1992* and its regulations.



## Investigating, Inspecting & Monitoring

- Inspecting and monitoring licensed establishments to ensure compliance with the *Liquor Licence Act* and regulations.
- Inspecting and monitoring casinos, charity casinos, slot operations at racetracks and charitable gaming events/facilities for compliance with the *Gaming Control Act, 1992*, its regulations, and licensing and registration requirements.
- Conducting background investigations on individuals and companies seeking registration and licensing under the *Gaming Control Act, 1992* and *Liquor Licence Act*.
- Providing police presence at casinos, charity casinos and slot operations at racetracks.
- Conducting audits of companies registered and licensed under the *Gaming Control Act, 1992* and *Liquor Licence Act*.
- Approving and monitoring internal control systems, surveillance and security systems, and other operational systems for casinos, charity casinos and slot operations at racetracks for compliance with all regulatory requirements.

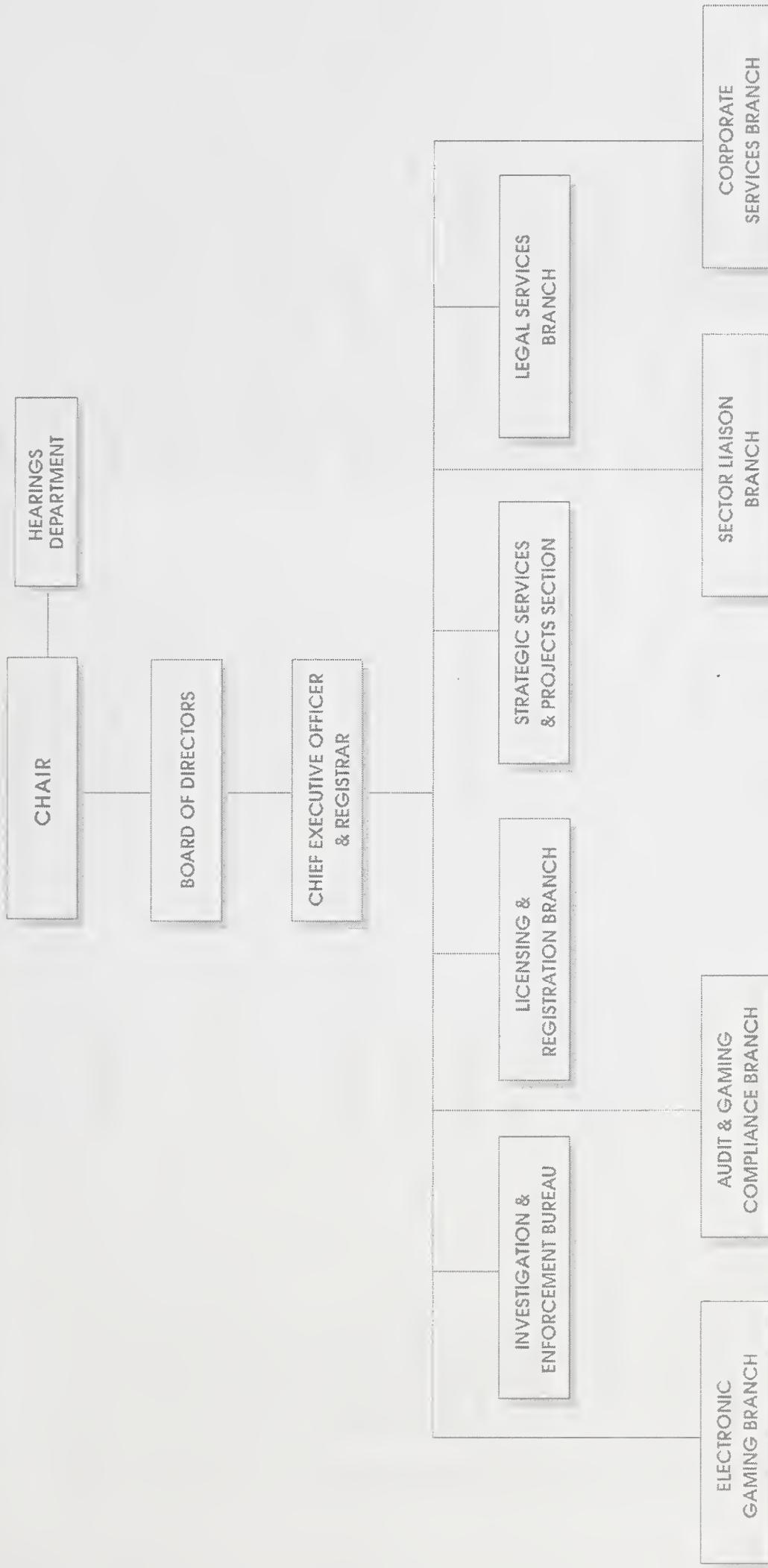
- Testing, approving and inspecting slot machines and gaming systems.

## Adjudication

- Conducting hearings on proposed disciplinary actions under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- Conducting hearings on Registrar's refusal to licence or register under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- Conducting compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.
- Conducting public interest hearings to determine eligibility for liquor licensed premises, additions to liquor licensed premises or revocation of liquor licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof.



## ORGANIZATIONAL STRUCTURE – Alcohol and Gaming Commission of Ontario



The Alcohol and Gaming Commission's organizational structure is based on functional responsibilities with internal 'checks and balances' on the exercise of the agency's powers and authorities.



## BOARD OF DIRECTORS\*

NAME	POSITION	TERM
David C. Gavvie	FULL-TIME CHAIR	November 2005 to October 2008
Kirsti Hunt	ACTING FULL-TIME CHAIR	March 2005 to October 2005
	FULL-TIME VICE-CHAIR	September 2005 to March 2006
	PART-TIME VICE-CHAIR	March 2006 to March 2007
Patricia McQuaid	FULL-TIME MEMBER	November 2005 to November 2008
	FULL-TIME VICE-CHAIR	March 2006 to November 2008
	PART-TIME MEMBER	April 2003 to April 2005
Dianne M. Axsmith	PART-TIME MEMBER	April 2003 to April 2006
Beryl Ford	PART-TIME MEMBER	September 2004 to September 2006
Brian Ford	PART-TIME MEMBER	September 2004 to September 2006
Allan Higdon	FULL-TIME MEMBER	April 2005 to March 2008
John M. Johnson	PART-TIME MEMBER	April 2003 to May 2005
Lorraine Leblanc	PART-TIME MEMBER	March 2005 to May 2005
Alex McCauley	PART-TIME MEMBER	October 2005 to October 2008
Eleanor Meslin	PART-TIME MEMBER	March 2005 to February 2008
Bruce R.H. Monteith	PART-TIME MEMBER	April 2003 to April 2006

The *Alcohol and Gaming Regulation and Public Protection Act*, 1996 constitutes the AGCO as a corporation without share capital and requires that the AGCO shall have a Board of Directors of at least five (5) members. Board members are appointed by the Lieutenant Governor in Council, through Order-in-Council.

\* The above list of Board of Directors reflects the period from April 1, 2005 to March 31, 2006.



In addition to the Board's governance role, the Board conducts appeals and disciplinary hearings and prepares decisions under the *Liquor Licence Act* and the *Gaming Control Act, 1992*. The Board also conducts public interest hearings to review applications for liquor licences or additions to licensed premises where written objections to the

issuance of a licence have been filed. The Board also conducts compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.

Alcohol-Related Hearings for Fiscal Year	2004/05	2005/06
Hearing type based on Notice of Proposal issued by the Registrar of Alcohol and Gaming		
Revoke Licence	82	67
Refuse to Transfer/Renew Licence	11	12
Review Licence Application	32	39
Suspend Licence	278	361
Attach Condition	0	0
Refuse to Remove Condition	3	13
Other (Disqualify Premises)	0	0
<b>TOTAL NUMBER OF HEARINGS</b>	<b>406</b>	<b>492</b>

(Includes all hearings for which a decision was issued between April 1<sup>st</sup>, 2005 and March 31<sup>st</sup>, 2006. Please note that the manner in which the statistics in this section have been collected has been modified from past years to improve accuracy and better reflect AGCO operations. Accordingly, the totals from 2004/05 have also been adjusted to ensure consistency.)

*Note:* The addition of a full-time vice chair and one other full-time board member, as well as a substantial increase in the use of the alternative dispute resolution mechanisms listed below, assisted the Commission to significantly reduce the average span between the time a hearing was requested and the time it was heard.



Board continued

Alcohol-Related Settlements without a Hearing for Fiscal Year*	2004/05	2005/06
Number of Settlements Agreed to Without a Hearing	0	49
<i>* This is a new alternative dispute resolution process</i>		
Alcohol-Related Public Interest Meetings for Fiscal Year*	2004/05	2005/06
Number of Public Interest Meetings	45	71
<i>* This is an alternative dispute resolution process</i>		
Gaming-Related Hearings for Fiscal Year*	2004/05	2005/06
Total Number of Hearings	24	34



## 2005-2006 OPERATIONAL OVERVIEW

### LICENSING AND REGISTRATION<sup>1</sup>

#### Number of Liquor Licensees and Number of Permits Issued

Due to increased stakeholder demands from Brew-on-Premise Facilities, Liquor Delivery Services and Special Occasion Permit holders, the total number

of alcohol beverage advertisements reviewed increased from 156 in the previous fiscal year to 185 this past year.

For Fiscal Years	2004/05	2005/06
Liquor Sales Licensed Establishments	16,845	16,748
Brew-on-Premise Facilities	627	615
Liquor Delivery Services	246	258
Manufacturers	182	188
Manufacturers' Representatives	679	742
Total	18,579	18,551
Alcohol Beverage Advertisements Reviewed	156	185
Special Occasion Permits Issued	65,468	65,426

<sup>1</sup> Please note that the manner in which the statistics in this section have been collected has been modified from past years to improve accuracy and better reflect AGCO

operations. Accordingly, the totals from 2004/05 have also been adjusted to ensure consistency.



## Lottery Licences issued by the AGCO

### Lottery Licensing:

A total of 2,516 lottery licences were issued by the AGCO to eligible charitable or religious organizations to conduct and manage gaming events, including bingo, break open ticket and raffle events. As in the previous fiscal year, the total number of lottery licences issued decreased by approximately 2% primarily due to a slowdown in the current market for charitable gaming. Charitable gaming continues to face competition, limitations and challenges from a number of different sources,

including changing demographics, technological advances and competition from other gaming products.

The 16% increase experienced in the issuance of Break Open Ticket licences this past fiscal year was primarily due to significant growth in the demand for provincial Break Open Ticket licences, which saw an increase of 108% from 101 to 210 licences issued. This upsurge in provincial Break Open Ticket licences can be attributed to the introduction of new types of Break Open Tickets and the opportunity for charities with a provincial mandate to sell a greater variety of tickets in larger markets.

Lottery Licences Issued For Fiscal Years	2004/05*	2005/06*
Bingo	1,915	1,780
Break Open Ticket (BOT)	431	512
Raffle	157	161
Social Gaming Events	72	59
Other	5	4
<b>Total</b>	<b>2,580</b>	<b>2,516</b>

\*Municipalities issue most lottery licences.



### Number of Gaming Registrants in the Province

The decrease of gaming registrants of approximately 3% compared to the last fiscal year can be attributed to the overall gaming environment in Ontario, particularly in regards to charitable gaming. As previ-

ously stated, charitable gaming continues to face competition, limitations and challenges from a number of different sources.

For Fiscal Years	2004/05	2005/06
<b>CHARITABLE GAMING</b>		
Bingo Hall Operators	118	101
Gaming/Equipment Suppliers & Manufacturers	117	110
Break Open Ticket Sellers	5,328	5,001
Gaming Assistants	3,310	3,279
Sub-Total	8,873	8,491
 <b>CASINOS AND SLOT MACHINE FACILITIES</b>		
Gaming Suppliers	2,849	2,812
Gaming Employees	19,149	18,733
Sub-Total	21,998	21,545
Total	30,871	30,036



## INVESTIGATION, ENFORCEMENT AND COMPLIANCE

**5,700 OCCURRENCES** AGCO's Casino Enforcement Units investigated approximately 5,700 occurrences at the casinos, charity casinos and slot operations at racetracks in Ontario during this

Over 39,000 electronic gaming devices, including slot machines, were inspected this year without disrupting day-to-day gaming facility operations. All electronic gaming equipment must be tested, approved and inspected before it can be offered for patron play to ensure that it is not susceptible to cheating and meets acceptable standards of randomness, as well as hardware and software requirements.

**39,000 ELECTRONIC GAMING INSPECTIONS**

fiscal year, in addition to assisting local police with non-gaming related investigations. The number of reported occurrences has been cut in about half since the last fiscal year, with the great majority of this reduction due to a change in the manner in which occurrences are recorded. Only those events that result in a report being filed are now considered by the AGCO's Investigations and Enforcement Bureau to be reportable occurrences. In part, however, the drop is also attributable to the AGCO's ongoing, visible and well publicized enforcement presence at Ontario's gaming facilities.

**AJAX DOWNS** While maintaining service levels and regulatory oversight of Ontario's 26 existing gaming facilities, the AGCO staff completed pre-opening inspection activities prior to the opening of the slot operations at the Ajax Downs racetrack facility in Ontario.

Casinos, charity casinos and slot operations at racetracks are subject to regulatory requirements and AGCO oversight to maintain public confidence that gaming facilities are operated with honesty and integrity. These requirements include registration of suppliers and employees, and approval of rules of play, gaming equipment, gaming management systems, slot machines, chips and tokens, internal control systems, surveillance and security systems, credit, recordkeeping, and recording of large cash transactions.

The AGCO has Electronic Gaming Officers on-site at the casinos who are responsible for verifying new electronic gaming equipment, conducting random checks on approved electronic gaming equipment, and performing slot machine jackpot verifications for wins of \$30,000 or more.

AGCO's Liquor Enforcement continues to focus their work with local law enforcement agencies on joint forces projects targeted at higher risk facilities and problem establishments identified in conjunction with local authorities. As well, during this fiscal year, over 25,500 inspections of liquor sales licensed establishments were conducted.

**25,500 LIQUOR INSPECTIONS**

AGCO liquor inspectors are cross-trained to conduct inspections at Break Open Ticket seller locations across Ontario and performed over 1,000 of these inspections in 2005/06. As of June 2005, the inspectors have also been cross-trained to inspect bingo facilities to ensure compliance with the *Gaming Control Act, 1992*.

**1,000 BREAK OPEN TICKET SELLER INSPECTIONS**

As a result of Liquor Enforcement's continued efforts, combined with the efforts of Licensing & Registration and Legal Services, over 1,130 Notices of Proposal to review, suspend or revoke a liquor licence were issued during fiscal year 2005/06.

**1,130 NOTICES OF PROPOSAL**



## Ontario Gaming Facilities

Charity Casinos	# of Slots	# of Tables	Location	Open to Public
Brantford Charity Casino	514	49	Brantford	Nov. 19/99
Great Blue Heron Charity Casino	510	60	Port Perry	May 5/00
Point Edward Charity Casino	492	36	Point Edward	Apr. 20/00
Sault Ste. Marie Charity Casino	452	30	Sault Ste. Marie	May 23/99
Thousand Island Charity Casino	523	18	Gananoque	Jun. 22/02
Thunder Bay Charity Casino	452	14	Thunder Bay	Aug. 30/00

Commercial Casinos	# of Slots	# of Tables	Location	Open to Public
Casino Niagara	1,819	138	Niagara Falls	Dec. 9/96
Niagara Fallsview Casino Resort	3,062	150	Niagara Falls	Jun. 8/04
Casino Rama	2,487	116	Orillia	Jul. 31/96
Casino Windsor	3,208	108	Windsor	Interim: May/94 Permanent: Jul. 29/98

Slots at Racetracks	# of Slots	Location	Open to Public
Ajax Downs*	250	Ajax	Mar. 2/06
Clinton Raceway	108	Clinton	Aug. 26/00
Dresden Raceway	108	Dresden	Apr. 20/01
Flamboro Downs	789	Dundas	Oct. 13/00
Fort Erie Racetrack	1,168	Fort Erie	Sept. 11/99
Georgian Downs	451	Barrie	Nov. 29/01
Grand River Raceway	200	Elora	Dec. 6/03
Hanover Raceway	110	Hanover	Feb. 21/01
Hiawatha Horse Park	452	Sarnia	May 10/99
Kawartha Downs Raceway	450	Peterborough	Nov. 24/99
Mohawk Raceway	862	Milton	Aug. 12/99
Rideau Carleton Raceway	1,250	Ottawa	Feb. 18/00
Sudbury Downs Raceway	343	Sudbury	Nov. 28/99
Western Fair	750	London	Sept. 30/99
Windsor Raceway	740	Windsor	Dec. 18/98
Woodbine Raceway	1,947	Toronto	Mar. 29/00
Woodstock Raceway	112	Woodstock	Jun. 22/01

\* New gaming facility



## OPERATIONAL EFFICIENCIES AND HIGHLIGHTS

As the regulator of the liquor and gaming industries, the AGCO strives to be fair, responsive and service oriented. Education and awareness are key components for promoting compliance within the liquor and gaming industries throughout the province. The AGCO continues to work proactively with liquor licensees and gaming registrants to assist in the development of high marketplace standards and voluntary compliance.

### **Auditor General's Report on Charitable Gaming**

In 2005, Ontario's Auditor General conducted a 'value for money' audit of the Commission's charitable gaming program. The report was released in the fall of 2005 and the audit provided recommendations on 10 key areas, including municipal lottery licensing, registration processes, licensing activities, enforcement practices and project management. The AGCO will be appearing before the Public Accounts Committee in April 2006 to address these findings and continues to work on implementing many of the report's recommendations.

### **Liquor Enforcement**

The AGCO continues to focus on its liquor enforcement activities and enforcement staff have been trained with the expertise required for a

changing environment. The Commission also constantly works to foster relationships with local enforcement authorities and educational programs have been developed for local agencies in relation to liquor enforcement. Additionally, Integrated Municipal Enforcement Teams continue to be maintained and established across the province, involving local police, fire, health, by-law and licensing authorities, and appropriate resources are being marshaled to target licensed premises where illegal activity and violence are concerns.

### **Charity Gaming**

The AGCO continued its work with the bingo and break open ticket stakeholder groups in an effort to assist the charitable gaming sector to remain viable in a complex and competitive environment. The groups are comprised of charitable and industry association representatives. Both groups have proposed initiatives to introduce flexibility to the charitable gaming regulatory framework for bingo and break open tickets and have been instrumental in developing new options for the charitable gaming industry throughout the years. Working closely with the Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO), the AGCO ensures that municipalities fully participate in any policy or regulatory initiatives that impact charitable gaming.



In the fall of 2004, the AGCO also launched an initiative to modernize charitable gaming. A discussion paper was released and comments were obtained from stakeholders on possible strategic changes to charitable gaming. Results of the consultation suggest that significant change is necessary in order to allow for the charitable

AGCO's head office and over 30,400 customers that were able to self-serve themselves through our integrated voice messaging system. The increase of inquiries from the previous fiscal year is primarily due to various questions arising from the phasing in of the "bring your own wine" and "take home the rest" programs, as well from the anticipated arrival

gaming sector to remain viable but also that proper regulation and standards remain necessary. The AGCO released a document entitled Modernization of Charitable Gaming – Direction and Priorities in December 2005 summarizing the results of the consultations and setting out a plan for change.

The AGCO has implemented a number of changes such as the release of an updated Lottery Licensing Policy Manual, new games and products for the bingo and break open ticket markets and there has been progress on the revenue model through the introduction of changes to the revenue model at pooling bingo halls in February 2006. The Interim Revenue Model for Pooling Halls, which provides adjustments in how some expenses are paid, allows charities, bingo halls and municipalities to enter into a new revenue sharing model that will assist in sustaining the industry in the short term. This initiative is only a temporary measure while the AGCO develops a new revenue model for the bingo industry.

### **Customer Service**

As part of our service delivery program, AGCO staff continue to provide clients with personal service through our Customer Service Unit. During the 2005/2006 fiscal year, the customer service staff provided over 101,000 customers with assistance regarding licensing and registration issues, over 3,000 more than the previous fiscal year. This is in addition to handling over 14,300 customers at the Customer Service desk at the

of the provincial smoking ban.

### **Media Relations**

During this fiscal year 2005/2006, the AGCO handled 381 media inquiries, which represents a decrease of 34% compared to the previous fiscal year with 580 media inquiries. The considerable reduction in media calls is due in part to a higher than normal volume of calls the prior year, as well as a proactive communications strategy employed by the AGCO that identified and addressed potential issues in advance.

### **AGCO Website**

The AGCO is committed to providing its clients with accurate and timely information. On average, there have been approximately 100 changes to our website every year since the site was launched. One major addition to the AGCO website in 2005/06 was an electronic version of the Lottery Licensing Policy Manual, allowing ongoing and convenient access to municipalities, charitable gaming stakeholders and the public.

The AGCO website provides clients and the general public with timely and easily accessible information about liquor and gaming policies administered by the AGCO. Users of the site have access to all of the registration and licensing application forms, instruction guides and all publications, annual reports and newsletters made available by the AGCO. The AGCO's website can be found at [www.agco.on.ca](http://www.agco.on.ca).



## LEGISLATIVE AND REGULATORY UPDATES

The AGCO continues to work with Ministry of Government Services staff on legislative and regulatory amendments to the *Liquor Licence Act*, *Gaming Control Act, 1992* and *Wine Content and Labelling Act, 2000* as required. As a result, recent amendments approved by the government include:

- The introduction of the “bring your own wine” and “take home the rest” programs;
- Allowing the Registrar of Alcohol and Gaming to immediately suspend a liquor licence where there is a threat to public safety; and
- Requiring the posting of Fetal Alcohol Spectrum Disorder warning signs in most licensed establishments.

In efforts to mitigate the negative effects of a grape harvest shortfall due to unusually cold winter conditions, an amendment to the regulations under the *Wine Content and Labelling Act, 2000*

was filed on September 30, 2005 temporarily lowering the minimum Ontario grape content requirement from thirty percent (30%) to one percent (1%). Ontario wineries had the option of participating in the 2005 Short Crop Program as long as they were able to abide by their individual import cap for the 2005 Harvest Year.

Although there were no significant changes to Ontario’s other gaming and liquor-related statutes and regulations in 2005/2006, the government launched a public consultation process in December 2005 on possible updates to the *Liquor Licence Act*, with the key themes for change being stronger public safety, better service delivery and enhanced consumer choice. The creation of a risk-based approach to liquor sales licensing and simplifying the Special Occasion Permit regime appear to be of particular interest to stakeholders. The broader public consultations have now been completed and a summary of recommendations developed. The AGCO has provided extensive support on this initiative and will continue to work with the government as it moves forward.



The 2005/2006 end results for performance goals established for the agency were all on target.

## PERFORMANCE MEASURES

<b>PRIORITY :</b> (from Government Statements)	Strong People, Strong Economy, Modern, Efficient Public Services
<b>SUPPORTING RESULT :</b> (from Government Statements)	Deliver timely, cost effective and accountable public services
<b>STRATEGY :</b> (from Ministry's Results-based Plans)	Create a modern regulatory environment that generates confidence, protects consumers, and promotes safe viable communities
<b>ACTIVITY :</b> (from Ministry's Results-based Plans)	<b>Consumer Protection</b>
<b>SUB-STRATEGY TO DELIVER :</b> (identified by Ministry from approved Ministry 05/06 Results-based Plans)	Maintain baseline activities for Alcohol and Gaming Commission of Ontario (AGCO)

## RESULTS-BASED PERFORMANCE MEASUREMENT

PERFORMANCE MEASURES <sup>2</sup>	TARGET / PROJECT MILESTONES	STATUS
THE PERCENTAGE OF HIGH RISK/PRIORITY REQUESTS THAT ARE RESPONDED TO TWO BUSINESS DAYS.	100% OF HIGH RISK/PRIORITY REQUESTS THAT ARE RESPONDED TO WITHIN TWO BUSINESS DAYS.	MET. 100% OF REQUESTS RESPONDED TO WITHIN TARGETED TIME FRAME.
TURNAROUND TIME FROM REQUEST OF HEARING TO ACTUAL HEARING DATE.	7 MONTHS OF THE TURNAROUND TIME FROM REQUEST OF HEARING TO ACTUAL HEARING DATE. (NOTE: YEAR 2 OF 4-YEAR REDUCTION IN TURNAROUND TIME FROM 9 MONTHS IN 04-05 TO 4 MONTHS IN 07-08)	MET. AGCO MET ITS TARGET WITH AN AVERAGE 7-MONTH TURNAROUND TIME FROM THE REQUEST OF HEARING TO THE ACTUAL HEARING DATE.

<sup>2</sup> From approved Ministry 05/06 Results-based Plans or Ministry Scorecard - Corporate Results Reporting Requirements.



The Alcohol and Gaming Commission of Ontario (AGCO) remits all revenues collected to the government's consolidated revenue fund (CRF) and operates within a separate budget allocation con-

tained in the Ministry of Government Services' printed estimates. For the fiscal year ending March 31, 2006, the AGCO managed all operating expenditures within its budget allocation.

## FINANCIAL PERFORMANCE

### 2005/2006 Fiscal Year: Revenues and Expenditures

<b>REVENUES</b>	<b>FISCAL YEAR</b>	
	<b>APR. 1, 2004 TO MAR. 31, 2005</b>	<b>APR. 1, 2005 TO MAR. 31, 2006</b>
Fees and Levies	\$ 523,648,000	\$ 550,703,529
<b>Total</b>	<b>\$ 523,648,000</b>	<b>\$ 550,703,529</b>
<hr/>		
<b>EXPENDITURES</b>		
Salaries and Benefits	\$ 35,368,058	\$ 35,573,494
Other Direct Operating Expenses	\$ 11,188,760	\$ 10,858,521
Less Recoveries	(\$ 7,042,530)	(\$ 6,915,929)
<b>Total</b>	<b>\$ 39,514,288</b>	<b>\$ 39,516,086</b>

### Audit

The AGCO is subject to Ministry of Government Services review and audit. In addition, the AGCO

is subject to Provincial Audit and additional audits that the Minister may require.



### **Criminal Code of Canada**

The *Criminal Code of Canada* (the “*Code*”) establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operat-

gaming operations, suppliers and gaming assistants/employees of casinos, charity casinos, slot machine facilities and charitable gaming events.

## GAMING : LEGAL FRAMEWORK

ing, licensing and regulating legal forms of gaming. Part VII of the *Code* prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits “lottery schemes” provided that they are:

- “Conducted and managed” by the province in accordance with any law enacted by that province;
- “Conducted and managed” by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- “Conducted and managed” by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

“Lottery schemes” are defined under the *Code* but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province (Sec. 207(4)).

Only the government of a province can conduct and manage a lottery scheme involving dice, slot machines or other computer devices.

### **Gaming Control Act, 1992**

The *Gaming Control Act, 1992* (formerly the *Gaming Services Act*), which was proclaimed in February of 1993, provides for the regulation of

### **Order-in-Council 2688/93 (as amended)**

Order-in-Council 2688/93 (the “OIC”) provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed under the *Gaming Control Act, 1992* (the “Registrar”) or, depending on the type of charitable gaming event and the value of prizes to be awarded, by a municipal council. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar.

In order to qualify for a lottery licence, an organization must have a “charitable object or purpose”. Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; or
- Any other purpose beneficial to the community.

The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately \$1.5 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately \$227 million by holding licensed lottery events.



### 2005 Estimate of Province-Wide Charitable Gaming Revenues

	<b>Gross Wager</b>	<b>Net Revenues</b>	<b>Charity Profit</b>
Bingos	\$ 886,000,000	\$ 227,000,000	\$ 110,000,000
Break Open Tickets	\$ 289,000,000	\$ 96,000,000	\$ 35,000,000
Raffles	\$ 272,000,000	\$ 163,000,000	\$ 82,000,000
<b>Total</b>	<b>\$ 1,447,000,000</b>	<b>\$ 486,000,000</b>	<b>\$ 227,000,000</b>

#### Authority for Lottery Licensing

MUNICIPALITIES AND THE AGCO HAVE RESPONSIBILITY FOR ISSUING LOTTERY LICENCES.

*The Order-in-Council provides municipalities with licensing authority for:*

- bingo events, including table board bingo, with prizes of up to \$5,500;
- media bingo events with prizes up to \$5,500;
- break open tickets for local organizations;
- raffles up to \$50,000 in prizes; and
- bazaar lotteries which include: wheels of fortune with a maximum bet of \$2.00, raffles not exceeding \$500, and bingo events up to \$500.

*The Registrar of Alcohol and Gaming is the licensing authority for:*

- bingo events over \$5,500 in prizes; super jackpot bingo events; progressive bingo game events;
- social gaming events (i.e., table game event held in conjunction with a social event);
- raffles over \$50,000;

- break open tickets sold in conjunction with other gaming events;
- break open tickets sold by organizations with a provincial mandate;
- fairs and exhibitions and lotteries held in unorganized territories.

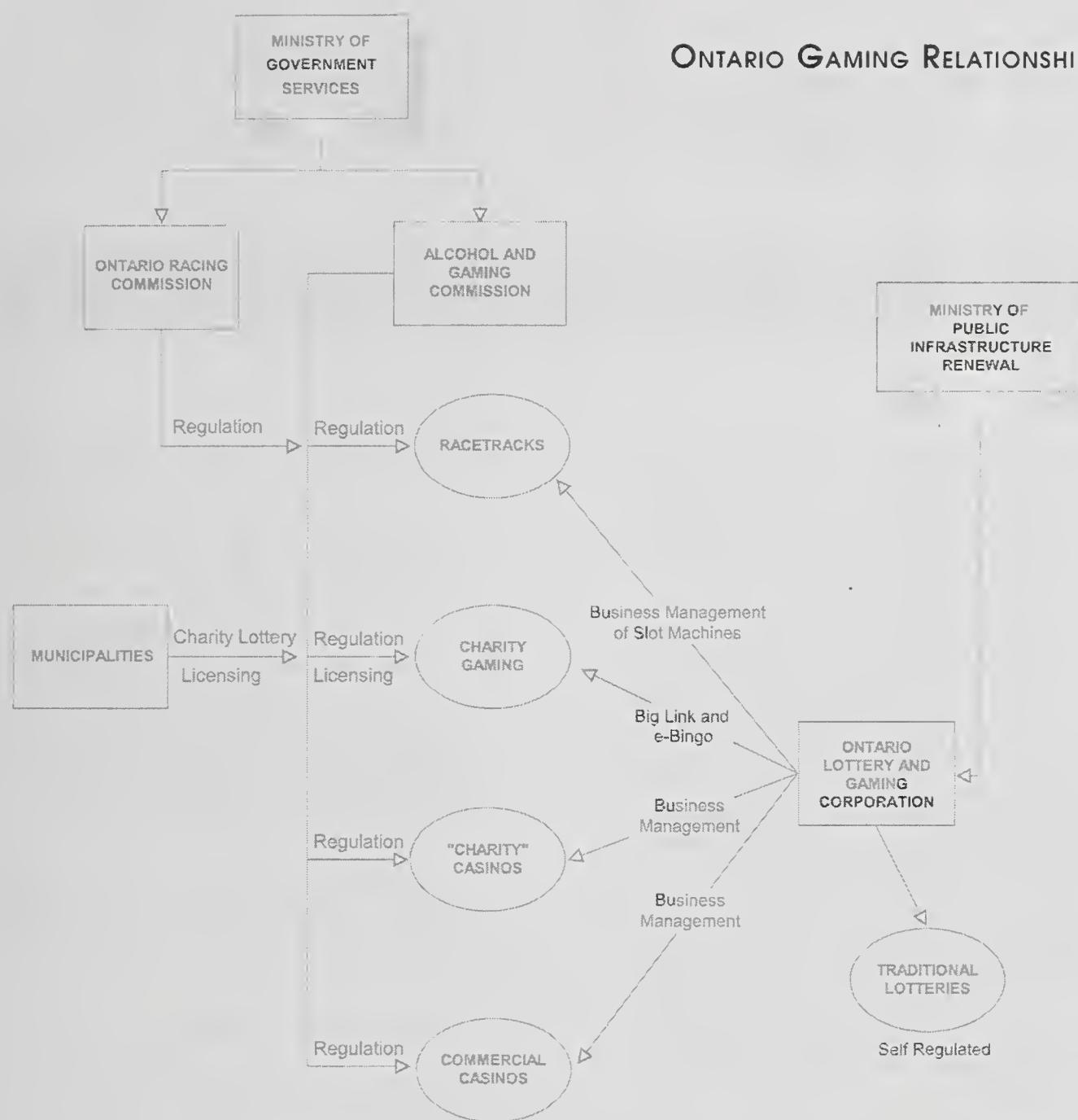
The AGCO establishes the framework for municipalities to exercise their authority by establishing the terms and conditions for each type of licence, providing direction regarding determining eligibility of organizations for licensing, as well as providing assistance with compliance and enforcement. Compliance staff handles many inquiries from municipalities seeking guidance on the interpretation of licensing policies and terms and conditions. In addition, compliance staff provides information and training sessions for municipalities, licensing officers, charities and suppliers.

#### First Nations Lottery Licensing

In 1998, the government approved a First Nations lottery-licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.



## ONTARIO GAMING RELATIONSHIPS



The Alcohol and Gaming Commission of Ontario is responsible for the regulation of casinos, charity casinos and slot machine facilities (i.e., slot operations at racetracks).

In accordance with the *Criminal Code of Canada* and the *Ontario Lottery and Gaming Corporation Act, 1999*, the Ontario Lottery and Gaming Corporation (OLGC) is responsible for the “management and conduct” of the gaming operations at commercial casinos, charity casinos, slot machine facilities, the linked “Big Link

Bingo” game played at charity bingo halls and e-bingo pilots. The OLGC is also responsible for the regulation and business management of all traditional lottery games such as “Super Seven”, “6/49” and scratch and win type tickets.

Municipalities and the AGCO have responsibility for issuing lottery licences – the majority of lottery licences are issued by municipalities in the province – primarily to religious and charitable organizations for bingo and break open ticket licences.



### **Liquor Licence Act**

The *Liquor Licence Act* establishes the licensing and regulatory regime for the sale and service of beverage alcohol in Ontario (except for retail sale to the public by the Liquor Control Board of Ontario).

## ALCOHOL: LEGAL FRAMEWORK

Various classes of licences and permits are established including:

- licence to sell beverage alcohol;
- licence for brew-on-premise facilities;
- licence for liquor delivery service;
- manufacturers' licence;
- licence to represent a manufacturer of beverage alcohol; and
- special occasion permits for the sale and service of beverage alcohol on special occasions. For example, cash bars at fundraising events, weddings and receptions.

The *Liquor Licence Act* also establishes the basic rules for sale and service of beverage alcohol:

- no sale or service to persons under the age of 19;
- no sale or service to persons who appear to be intoxicated;
- no sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- no sale of illegal beverage alcohol; and
- where beverage alcohol may be consumed (residence, licensed premises, private place).

The *Liquor Licence Act* and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

### **Liquor Control Act (Section 3(1)b, e, f, g and 3(2)a)**

Effective July 3, 2001, the Alcohol and Gaming Commission of Ontario assumed responsibility from the LCBO for the following:

1. To control the delivery of liquor to the public;
2. To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize The Beer Store to operate stores for the sale of beer to the public;
3. To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries referred to in number 2;
4. To determine, subject to the *Liquor Licence Act*, the municipalities within which stores owned and operated by manufacturers and wineries referred to in number 2 shall be established or authorized and the location of such stores in municipalities;
5. To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in number 2; and
6. To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

### **Wine Content and Labelling Act, 2000**

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing its wine, the content of each bottle of wine manufactured by the winery must be no less than 30% Ontario grapes or grape product.

